

**OVERSIGHT BOARD TO THE FORMER
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COMPTON
STAFF REPORT**

DATE: DECEMBER 19, 2012

TO: THE HONORABLE CHAIR AND BOARD MEMBERS

FROM: EXECUTIVE DIRECTOR

SUBJECT: UPDATE ON DEPARTMENT OF FINANCE (DOF) COMMUNICATIONS

BACKGROUND:

At the direction of the Oversight Board at its last meeting on Wednesday, December 5, 2012, the Board requested Successor Agency staff to provide a report on communication between the Successor Agency and the State Department of Finance (DOF). To that extent, this is the Successor Agency's monthly report to the board regarding communication with the DOF.

DISCUSSION:

Since the last Oversight Board meeting on December 5, 2012, the Successor Agency staff has had the following correspondence with the DOF:

- 1.) December 3, 2012 – DOF submitted response to ROPS III
- 2.) December 6, 2012 – Meet and Confer Conference Call with DOF regarding DDR – Housing Assets
- 3.) December 7, 2012 – Successor Agency requested a Meet and Confer on ROPS III

RECCOMENDATION:

Staff recommends the Board receive and file this report.

**G. HAROLD DUFFEY
EXECUTIVE DIRECTOR**

**DR. KOFI SEFA-BOAKYE
DIRECTOR**

Attachments:

- 1.) DOF response letter to DDR – Housing Assets (November 21, 2012)
- 2.) DOF response letter to ROPS III (December 3, 2012)



November 21, 2012

Mr. Kofi Sefa-Boakye, Director
City of Compton
205 South Willowbrook Avenue
Compton, CA 90220

Dear Mr. Sefa-Boakye:

Subject: Low and Moderate Income Housing Fund Due Diligence Review

The City of Compton Successor Agency (Agency) submitted an oversight board approved Low and Moderate Income Housing Fund Due Diligence Review (DDR) to the California Department of Finance (Finance) on November 1, 2012. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the October 15, 2012 submittal deadline pursuant to HSC section 34179.6 (c), Finance is not bound to completing its review and making a determination by the November 9, 2012 deadline pursuant to HSC section 34179.6 (d). However, Finance has completed its review of your DDR, which may have included obtaining clarification for various items.

HSC section 34179.6 (d) authorizes Finance to adjust the DDR's stated balance of Low and Moderate Income Housing Fund (LMIHF) available for distribution to the taxing entities. Based on our review of your DDR, the following adjustment was made:

- Your request to retain LMIHF balances for fiscal year 2012-13 obligations in the amount of \$1,732,000 is partially denied. LMIHF obligations totaling \$15,000 for Item Nos. 41, 43, and 45 were approved by Finance for the ROPS period January to June 2013 (ROPS III). The remaining requested balance of \$1,717,000 for the ROPS III period were for items that were either denied or for items that requested RPTTF as the funding source. No LMIHF obligations were listed on the ROPS period covering July to December 2012. Therefore, the LMIHF available for distribution to the affected taxing entities will be adjusted to reflect the \$15,000 in approved fiscal year 2012-13 LMIHF expenditures.

If you disagree with Finance's adjusted amount of LMIHF balances available for distribution to the taxing entities, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's LMIHF balance available for distribution to the affected taxing entities is \$11,204,736 (see table below). Pursuant to HSC 34179.6 (h) (1) (B), any remittance related to

unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

LMIHF Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ 9,487,736
Finance Adjustments	
Add:	
Requested retained balance not supported:	1,732,000
Approved LMIHF expenditures for ROPS III	(15,000)
Total LMIHF available to be distributed:	\$ 11,204,736

Absent a Meet and Confer request, HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, that taxing entity's failure to remit those funds may result in offsets to its sales and use tax allocation or to its property tax allocation.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Pursuant to HSC section 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter and Finance's Housing Assets Transfer letter dated August 31, 2012 do not in any way eliminate the Controller's authority.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Antwine, Deputy Director, City of Compton
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller
California State Controller's Office



REVISED

December 3, 2012

Mr. Kofi Sefa-Boakye, Director
City of Compton
205 South Willowbrook Avenue
Compton, CA 90220

Dear Mr. Sefa-Boakye:

Subject: Revised Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Compton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013.

On October 14, 2012, Finance issued a letter stating your maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution amount was \$7,339,630. It has come to our attention the total approved RPTTF did not compute correctly. Based on a recalculation, Finance has determined the correct amount is \$7,601,250. Therefore, we are issuing a revised letter to reflect this change.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 37 through 40, 63, 64, 107, 111, 118, 121, 125, 126, 128, 129, 132, 133, 141, 145, and 152 through 154 – Projects totaling \$2.1 million. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. It is our understanding that contracts for these line items were executed after this date. Therefore, these line items are not enforceable obligations and not eligible for funding on this ROPS.
- Item Nos. 48, 49, 142 and 151 – Affordable Housing Monitoring and Administrative Costs totaling \$6 million. HSC section 34176 (a) (1) states if a city, county, or city and county elects to retain the authority to perform housing functions previously performed by a RDA, all rights, powers, duties, obligations, and housing assets shall be transferred to the city, county, or city and county. Since the City of Compton assumed the housing functions, the administrative costs associated with these functions are the responsibility of the housing successor. Therefore, these items are not enforceable obligations and not eligible for funding on this ROPS.
- Item Nos. 46, 47, 51, 53, 54, 56 through 60, 65, 67, 68, and 108 – Projects totaling

\$66.2 million. It is our understanding that contracts are not in place for these line items. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Therefore, these line items are not enforceable obligations and not eligible for funding on this ROPS. To the extent bond proceeds are the anticipated funding source for these projects, upon receiving a Finding of Completion from Finance, these items may become enforceable pursuant to HSC section 34191.4 (c). Until then, they are not enforceable obligations and not authorized for payment.

- Item No. 148 – Pass-through payment in the amount of \$1.6 million. Per HSC section 34183 (a) (1), the county auditor-controller will make the required pass-through payments starting with the July through December 2012 ROPS. Therefore, this item is not an enforceable obligation and not eligible for funding on this ROPS.
- Claimed administrative costs exceed the allowance by \$1,651,213. HSC section 34171 (b) limits the fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$420,921 for administrative expenses. The Los Angeles Auditor Controller's Office did not distribute administrative costs during the July through December 2012 period, leaving \$420,921 available. Although \$298,100 is claimed for administrative cost, Item Nos. 8, 10 through 20, 35, 62, 71, 72, 76, 80, 98, 112, 120, 122, 124, 143, 144, 155 and 156 totaling \$1,774,034 are considered administrative expenses and should be counted toward the cap. Therefore, \$1,651,213 of excess administrative cost is not allowed.

Except for item(s) denied in whole or in part as enforceable obligation(s) as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$7,601,250 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 10,035,206
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 8*	130,000
Item 10*	39,000
Item 11*	39,000
Item 12*	182,000
Item 13*	130,000
Item 14*	130,000
Item 15*	130,000
Item 16*	39,000
Item 17*	39,000
Item 18*	39,000
Item 19*	130,000
Item 20*	65,000
Item 35*	60,000
Item 37	8,000
Item 38	12,000
Item 47	70,000
Item 48	75,000
Item 49	75,000
Item 57	600,000
Item 62*	25,000
Item 63	30,000
Item 64	65,000
Item 71*	75,000
Item 72*	97,517
Item 76*	35,000
Item 80*	30,000
Item 98*	85,517
Item 107	5,000
Item 108	20,000
Item 111	4,843
Item 112*	2,000
Item 118	8,000
Item 120*	25,000
Item 122*	40,000
Item 124*	150,000
Item 126	5,000
Item 129	15,000
Item 132	25,000
Item 141	50,000
Item 143*	1,000
Item 144*	1,000

Item 153	8,000
Item 154	5,000
Item 155*	40,000
Item 156*	15,000
Total approved RPTTF for enforceable obligations	\$ 7,180,329
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	420,921
Total RPTTF approved:	\$ 7,601,250

*Reclassified as administrative cost

Administrative Cost Calculation	
Total RPTTF for the period July through December 2012	\$ 6,850,376
Total RPTTF for the period January through June 2013	7,180,329
Total RPTTF for fiscal year 2012-13:	\$ 14,030,705
Allowable administrative cost for fiscal year 2012-13 (Greater of 3% or \$250,000)	420,921
Administrative allowance for the period of July through December 2012	0
Allowable RPTTF distribution for administrative cost for ROPS III:	\$ 420,921

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county-auditor controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

[http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/](http://www.dof.ca.gov/redevelopment/ROPS/ROPS%20III%20Forms%20by%20Successor%20Agency/).

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Kylie Le, Supervisor or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Mr. Michael Antwine, Deputy Director, City of Compton
Ms. Kristina Burns, Manager, Los Angeles County Department of Auditor-Controller